

Message Text

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AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY LONDON

/AMEMBASSY MUSCAT 700

AMEMBASSY TEHRAN

AMEMBASSY CAIRO

UNCLAS KUWAIT 1181

STATE FOR RIA MATTSON

E.O. 11652:D N/A

TAGS: ELAB, KU

SUBJ: KUWAIT BANK STRIKE IN THE OFFING

1. APPEARS KUWAIT BANK EMPLOYEES UNION, REPRESENTING THE CLERKS, TELLERS, AND OTHER EMPLOYEES AT KUWAITIS MAJOR COMMERCIAL BANKS, ARE PREPARED TO GO ON STRIKE IN SUPPORT OF WAGE DEMANDS. IN GENERAL MEETING HELD ON MARCH 4, 1,500 OF UNION MEMBERSHIP VOTED TO GO OUT ON STRIKE IF AGREEMENT WITH BANKS MANAGEMENT COMMITTEE (WITH REPRESENTATIVES FROM MAJOR COMMERCIAL BANKING ESTABLISHMENTS) ON UNION DEMANDS WERE NOT REACHED BY THE END OF 15 DAYS. IT IS NOW EXPECTED THAT, ONCE THIS DEADLINE IS PASSED (ON MARCH 18 OR 19), THE UNION WILL MEET AGAIN TO DECIDE WHETHER ACTUALLY TO WITHHOLD SERVICES, PROBABLY WITHIN THE FOLLOWING THREE OR FOUR DAYS. STRIKE, THEREFORE, COULD COME AS EARLY AS MARCH 20TH.

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2. ORIGINS OF STRIKE THREAT APPEAR TO BE DISPUTE OF IMPLEMENTATION OF SETTLEMENT OF SUMMER 1974 BANK STRIKE. UNION DEMANDS MAINLY ECONOMIC IN NATURE. UNION WANTS PAY INCREMENTS, BEGINNING WITH 60 PERCENT FOR THOSE WHO EARN LESS THAN 100 KD. BANKS ARE WILLING TO OFFER ONLY 20 PERCENT FOR THIS CATEGORY. ISSUED FUELED BY KUWAITI INFLATION IN FOOD AND HOUSING COSTS THAT HAVE HIT LOWER-PAID WORKERS ESPECIALLY HARD. IN THE PAST BANKS HAVE DUCKED ISSUE BY PROVIDING ALLOWANCES OF DIFFERENT TYPES, BUT LACK OF STANDARD PRACTICE HAS LED TO INEQUITIES WITHIN AND AMONG BANKS THAT HAS ONLY COMPLICATED NEGOTIATIONS BY LEADING TO DEMANDS FOR STANDARDIZATION. BANK PROFITS, MEANWHILE, HAVE SOARED. THE LOCAL PRESS, SEPARATELY BUT NOT COINCIDENTIALLY REPORTED THAT DEPOSITS IN ALL BANKS REACHED KD 1.3 BILLION, IN 1975, A JUMP OF ALMOST KD 300 MILLION OVER 1974 (KD 1 EQUALS \$3.50). THIS HAS ADDED TO UNION CHARGES OF UNFAIR AND UNREASONABLE BEHAVIOR ON THE PART OF BANK MANAGEMENT.

3. EFFORTS TO SETTLE DISPUTE HAVE TAKEN PLACE WITHIN OFFICE OF MINISTER OF SOCIAL AFFAIRS & LABOR (MSAL) SHEIKH SALEM AL SABAH. NORMAL PROCEDURE WHEN STRIKES ARE THREATENED IS FOR MSAL TO INTERVENE TO ENCOURAGE THE TWO SIDES TO NEGOTIATE A SETTLEMENT. PAST EFFORTS IN THIS CASE, HOWEVER, HAVE NOT SUCCEEDED. ONE BANK MANAGER NOTED THAT TWO SIDES HAVE BEEN SO FAR APART THAT THERE IS NO AGREEMENT EVEN ON THE BASICS. HE OBSERVED THAT THE LACK OF EXPERIENCE IN THE MEDIATION PROCESS, ESPECIALLY IN THE CASE OF THE BANK MANAGEMENT AND EMPLOYEES, HAS HAMPERED EFFORTS AT REACHING A SOLUTION.

4. COMMENT: LAST BANK STRIKE IN 1974 VERY COSTLY. ONE REPORTED ESTIMATE OF LOSSES REACHED KD 5 MILLION IN DIRECT LOSS BY BANKS, AND MORE BY OTHER BUSINESSES. ACCORDING TO BANK MANAGER, COMMERCIAL BANKS TOOK A LONG TIME TO RECOVER FROM LAST STRIKE. BANKING IS AN IMPORTANT SECTOR IN KUWAIT'S TRADE AND INVESTMENT ORIENTED ECONOMY, SO IT IS CERTAIN THAT STRIKE, SHOULD IT OCCUR, WOULD HAVE SERIOUS CONSEQUENCES.

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